

Message Text

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C O N F I D E N T I A L GENEVA 7937

PASS STR FOR MIKE SMITH

E.O. 11652: GDS

TAGS: GATT, ETRD

SUBJ: TEXTILES: TSB MAJOR REVIEW, CHAPTERS I AND III

REF: A) GENEVA 7926 B) STATE 247759

1. WITH EXCEPTION PARA 1, DRAFTING OF CHAPTER I WAS STRAIGHT-FORWARD PRESENTATION OF FACTS WITH FEW DIFFERENCES OPINION AMONG TXB MEMBERS OTHER THAN SEMANTIC. THAT PORTION OF PARA 1 REFERRING TO "DOWNTURN IN ECONOMIC ACTIVITY" AND THE SENTENCES FOLOWING, HOWEVER, ARE A PALE REFLECTION, NOT ONLY OF WHAT HAPPENED IN THE REAL WORLD BUT ALSO OF THE TSB DEBATE WHICH PRODUCED THIS LANGUAGE.

2. IT WILL BE RECALLED THAT THE SECRETARIAT, IN ITS FIRST DRAFT, HAD INCLUDED A PARAGRAPH DEALING WITH THE WORLDWIDE "RECESSION" AND TO A LESSER DEGREE THE EFFECTS OF SAME ON WORLD TEXTILE TRADE. FROM THE OUTSET, THE DEVELOPING EXPORTING COUNTRY REPS, LED BY MILLS (HONG KONG) ARGUED THAT TXB WAS INCOMPETENT TO ASSESS THE EFFECTS OF THE RECESSION ON TEXTILE PRODUCTION AND TRADE AND THAT, THEREFORE, THERE SHOULD BE NO REFERENCE TO THE RECESSION IN THE MAJOR REVIEW. U.S., EC, JAPAN AND NORDIC REPES ARGUED TO
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CONTRARY AND, AS COMPROMISE, IT WAS AGREED TO ASK TRADE

INTELLIGENCE DIV OF GATT SECRETARIAT PREPARE A BRIEF ANALYSIS OF RECESSION AND ITS IMPACT ON TEXTILE SECTOR. IN DUE COURSE TID PRODUCED A SHORT PAPER WHICH, FROM IMPORTING COUNTRY REPS' VIEW, WAS SATISFACTORY. EXPORTING COUNTRY REPS IMMEDIATELY DENOUNCED PAPER AS UNBALANCED, INACCURATE AND TOTALLY UNACCEPTABLE. U.S. REP AND EC REPS, THROUGH MANY PAINFUL SESSIONS, TRIED UNSUCCESSFULLY TO HAVE TID PAPER ATTACHED AS ANNEX TO MAJOR REVIEW. AT BOTTOM THIS CONFLICT, WAS EXPORTING COUNTRY REPS' FEAR THAT EC COULD OR WOULD USE ANY ANALYSIS OF RECESSION AS LEVERAGE IN EFFORT OBTAIN "RECESSION CLAUSE" IN EXTENDED MFA. IN ALL PROBABILITY THIS FEAR WAS WELL FOUNDED.

3. AFTER IT OBVIOUS THAT NO CONSENSUS POSSIBLE ON INCLUSION TID ANALYSIS IN TSB REVIEW, U.S. REP PRIVATELY INFORMED SHIN, MILLS AND HAMZA THAT U.S. REGARDED SOME REFERENCE TO RECESSION AS ESSENTIAL AND THAT HE WAS PREPARED TO DRAFT (WITH OTHER IMPORTING COUNTRY REPS) A PARAGRAPH WHICH WOULD REFLECT IMPORTING COUNTRY VIEWS ON EFFECTS OF RECESSION AND THEY, IF THEY WISHED, WOULD BE FREE TO DRAFT A PARAGRAPH EXPLAINING THAT THE RECESSION NEVER HAPPENED. THIS MOVE PRODUCED SOME IMPROVEMENT IN THE NEGOTIATING CLIMATE AND AFTER SEVERAL MORE DAYS OF DEBATE ON SEMANTICS, THE "DOWNTURN" LANGUAGE WAS AGREED WITH U.S. AND EC REPS RESERVING RIGHT TO GIVE FINAL APPROVAL AFTER SEEING CHAPTER V "CONCLUSIONS."

4. U.S. REP TRYING TO ESTABLISH GROUND TO SUPPORT A CENTRAL "CONCLUSION" TO REVIEW TO EFFECT THAT "IN A PERIOD ECONOMIC DIFFICULTY, WHEN PROTECTIONIST PRESSURES HIGH, MFA HAS NOT ONLY SURVIVED BUT HAS PRODUCED SIGNIFICANT LIBERALIZATION IN WORLD TEXTILE TRADE." IF THIS CONCLUSION CAN BE ESTABLISHED, WE ARE WELL ON WAY TO GENERAL UNDERSTANDING THAT MFA WILL BE EXTENDED AND THAT SIGNIFICANT CHANGE NOT NECESSARY.

5. PLEASE NOTE THAT PAGE 6 CHAPTER III HAS BRACKETED MATERIAL UNDER "EEC." DISREGARD.
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6. ALSO NOTE THAT PARA 1 REFTEL A PROMISED "CHAPTER 3" TO BE MAILED OCT 11. THAT SHOULD HAVE READ "CHAPTER 2" AND U.S. REP IS INFORMED TODAY BY SECRETARIAT THAT CHAPTER 2 WILL NOT BE AVAILABLE UNTIL TOMORROW OCT 12.

7. U.S. REP HAS NO SPECIFIC COMMENT ON CHAPTER 3.

8. SHOULD WASHINGTON HAVE COMMENT OR SUGGESTIONS WHICH
WOULD NECESSITATE DRAFTING CHANGE, U.S. REP SHOULD BE
INFORMED SOONEST.CATTO

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